

Message Text

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ACTION COME-00

INFO OCT-01 EA-11 NEA-14 ISO-00 FTC-01 TRSE-00 AID-05

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OMB-01 CEA-02 /136 W

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R 040920Z OCT 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 4752

AMEMBASSY KUWAIT

INFO AMEMBASSY MANILA

AMCONSUL MEDAN

AMCONSUL SURABAYA

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SUBJECT: US KUWAIT COOPERATION ON THIRD COUNTRY PROJECTS

REF: A) STATE 212771

B) KUWAIT 4191

C) STATE 20043 (NOTAL)

D) KUWAIT 3970 (NOTAL)

1. JAKARTA DELIGHTED LEARN OF KUWAITI INTEREST
(REF B) IN POSSIBLE JOINT VENTURES WITH USG AND U.S.
FIRMS IN INDONESIAN INDUSTRIAL PROJECTS. FINANCING
IS MAJOR IMPEDIMENT HERE TO DEVELOPMENT OF PLANNED
PROJECTS AND THEREFORE TO SALES U.S. EQUIPMENT AND
SERVIES. WE ANXIOUS THEREFORE LEARN ABOUT NEW
CONCEPT OF FINANCIAL COOPERATION WITH KUWAIT AND
WOULD MUCH APPRECIATE RECEIVING COPIES REFS C AND D.
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2. CONTRARY IMPRESSION CONVEYED REF A, AS RESULT
MEPD DISCUSSIONS WITH SOTION, EMBASSY'S INVESTIGATIONS
INTO OPPORTUNITIES IN INDONESIA CEMENT PRODUCTION
EXPANSION POSSIBILITIES REVEAL TONASA AMONG LEAST
VIABLE OPPORTUNITIES AND WE DO NOT CONSIDER IT VIABLE
OPPORTUNITY FOR "TRIPARTITE
FINANCING". ORIGINALLY ONE OF SUKARNO'S "POLITICAL"
PROJECTS, TONASA HAS APPARENTLY NEVER BEEN PROPERLY
MANAGED AND STILL OPERATES AT ONLY 60 O/O OF RATED
CAPACITY (2000,000 TPA.). LOCATED IN SOUTH SULAWESI,
IT IS FAR REMOVED FROM INDONESIA'S PRIMARY CEMENT
MARKETTS IN JAVA AND SUMATRA, WHERE AT LEAST 15 FIRMS
ARE NOW SEEKING BUILD CEMENT PLANTS. MARKET ON
REMAINING ISLANDS IS PROJECTED TO RISE ONLY TO
327,000 TPA BY 1978, WHICH MEANS THAT EVEN MINIMUM
ECONOMIC SIZED PLANT OF 500,000 TPA (LET ALONE REF A
SUGGESTED MILLION TON EXPANSION) WOULD SIGNIFICANTLY
EXCEED TONASA'S LIKELY FUTURE MARKET. (SOTION'S
COMMENTS REF A RE "AMPLE GUARANTEES" EXCEEDING
TONASA'S CURRENT SUPPLY UNLIKELY TO HOLD TRUE
AS MARKET SHIFTS FROM CURRENT SHORTAGES TO FUTURE
SUPPLYDEMAND BALANCE AND AS TONASA FORCED OUT OF
JAVA/SUMATRA MARKET BY NEW JAVA/SUMATRA BASED
PLANTS.) COMPOUNDING THIS BASICALLY ADVERSE
EVALUATION, TONASA'S PROPOSALS TO FNCB AND EXIM
FOR 500,000 TON EXPANISON (WHICH SEEMED INCLUDE
MATAMBA PLANT LISTED SEPARATELY REF A) WERE
SO VAGUE AND LACKING INSOUND FEASIBILITY AND
ENGINEERING ANALYSIS THAT NEITHER EXIM NOR FNCB COULD
SERIOUSLY EVALUATE PROJECT.

3. REF A STIMATES OF 840,000 TPA CURRENT INDONESIAN
CEMENT PRODUCING CAPACITY AND PROJECTED 5 MILLION
TPA 1979 DEMAND ARE APPROXIMATELY CORRECT. THERE
ARE CURRENTLY, HOWEVER, AT LEAST 18 COMPETING PROPOSALS
IN THE FEVERISH RACE SEEKING TO BUILD THIS REQUIRED
CAPACITY FIRST. TONASA NEVER WAS STRONG COMPETITOR IN
THIS RACE; AND WHEN GOI DISCOVERED THAT FONTASA'S
SUPPOSED "FOREIGN" JOINT VENTURE PARTNER
(HANCOCK CO., OF SINGAPORE) WAS ACTUALLY GROUP OF
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INDONESIAN CHINESE, GOI REPORTEDLY SUSPENDED FURTHER
ACTION ON PROJECT TO AVOID POLITICAL EMBARRASSMENT.
THUS SOTION MAY HAVE BEEN FISHING IN WASHINGTON FOR A
NEW TONASA FOREIGN PARTNER TO REPLACE HANCOCK.

4. EMBASSY IN FINAL STAGES IN-DEPTHANALYSIS INDONESIAN
CEMENT INDUSTRY AND OPPORTUNITIES IT PROVIDES FOR U.S.
EXPORTS OF SERVICES AND EQUIPMENT FROM WHICH ABOVE

OBSERVATIONS REGARDING TONASA HAVE BEEN DRAWN. LACKING
REFS C AND D EMBASSY HESITANT PUT FORWARD NUMBER OF OTHER
PROJECTS WHICH MIGHT FIT USG-GOI JOINT PROGRAM. SUCH
PROJECTS INCLUDE OTHER CEMENT PLANTS, SUGAR MILLS,
FERTILIZER PLANTS, INDUSTRIAL AND OTHER FACILITIES ON
ISLAND NEAR SINGAPORE. FOLLOW-UP STEPS SUGGESTED IN
PARA FOUR REF B FOR TIME BEING SHOULD EXCLUDE KUWAITI
OFFICIAL VISITING JAKARTA SINCE IT POSSIBLE USG WOULD
BE UNABLE MAINTAIN EFFECTIVE CLOSE WORKING RELATIONSHIP.
BASED ON REFS A AND B, WE ARE VERY SYMPATHETIC TOWARD THE
IDEA OF USG-GOK-PRIVATE SECTOR COLLABORATION IN INDONESIA TO
TAKE ADVANTAGE OF NEW MAJOR PROJECT OPPORTUNITIES
WHICH WOULD LEAD TO SIGNIFICANT INCREASE IN U.S. EXPORTS.
NEWSOM

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